

FISCAL FOCUS



Utah!
Where ideas connect

An Annual Report on State Government to Citizens of Utah for the Fiscal Year Ended June 30, 2004

A Message from the Governor



Governor
Olene S. Walker

I am pleased to introduce the 2004 edition of *Fiscal Focus*, which provides a brief look at Utah’s financial, economic, and demographic information.

Community and economic development are essential to maintaining and improving the quality of life for all Utahns. In order to realize this development, Utah must maintain a solid foundation of fiscal responsibility, while remaining flexible and adaptable to an ever-changing economic environment.

One of Utah’s greatest strengths is its children. Utah’s youth are Utah’s future, and maintaining and enhancing quality education opportunities in our state is crucial to our future prosperity. The “Read with a Child” initiative is geared toward helping children master basic reading skills early in life. From kindergarten to third grade, children learn to read, but after third grade, they read to learn. Without mastery of this critical skill, our children will struggle in school and throughout their lives.

We must continue to focus on economic viability in the present and for the future, as well as diversifying job and education-related opportunities. We can do this by building and enhancing

current initiatives and programs, such as strengthening partnerships between Utah businesses and higher education, increasing the amount of venture capital funding coming into the State, incubating small businesses, growing rural Smart Sites, and protecting the viability of Hill Air Force Base.

In addition, we must continue to work with others to bring commercial, educational, and cultural opportunities to our state. We can accomplish this by continuing to lead domestic and international trade missions, as we did this past year in San Jose, California; Vancouver, Canada; Veracruz, Mexico; Santiago, Chile; San Paulo, Brazil; and others.

Furthermore, it is vital that state government continue to be fiscally responsible. A conservative, realistic state budget offers a sound future for generations to come. We must continue to maintain the State’s triple-A bond rating, build up the Rainy Day funds to ensure we have sufficient resources to meet unforeseen emergencies, make policy decisions to keep government spending within its means, and address the difficult issue of the State’s eroding tax base by undertaking structural tax reform.

If we continue to support and expand on the above initiatives and work to increase the number and quality of jobs in Utah, I am confident that we can remain a leader among states and maximize opportunities for all Utah citizens. www.utah.gov/governor

Utah Economic Summary

Economy – Nationally, corporate before-tax profits increased 15.4% in 2003 and are expected to rise 13% through the end of 2004 as the economy continues to improve. The national unemployment rate is expected to drop to 5.6% in 2004 and 5.4% in 2005, down from 6.0% in 2003. Utah’s economic indicators have resembled national trends, although the State is recovering faster than the nation from the recent economic downturn.

Utah’s unemployment rate is expected to continue its decline, from 5.6% in 2003, to 5.3% in 2004, and to 5.1% in 2005. With the continuing drop in unemployment, personal income and nonagricultural wages are expected to increase 5.9% and 6.1% respectively, in 2005. Retail sales are estimated to grow 7.0% in 2004, and 4.5% in 2005. In 2003, the value of home construction reached an all-time high of \$3.0 billion. Housing is expected to increase even higher in 2004 to \$3.5 billion. It is also expected to remain strong during 2005, at near-record highs as low interest rates continue to drive construction. Utah is expected to have a net in-migration in 2004 of 17,600. Utah has had net in-migration for the past 14 years, and this trend is expected to continue in 2005 as well.

Industries – Utah’s nonagricultural employment is expected to increase 2.6% in 2004. From September 2003 to September 2004, every industry experienced positive employment growth includ-

ing natural resources and mining (9.0%); construction (7.3%); professional and business services (6.4%); education and health services (3.7%); trade, transportation, and utilities (2.5%); leisure and hospitality (2.5%); manufacturing (2.4%); information (1.7%); state government (1.5%); other services (1.2%); financial activities (0.9%); and local and federal government (0.8%). The trade, transportation, and utilities industry added 5,300 jobs; a majority of those were attributable to the retail trade, which added 2,900 new jobs. Leisure and hospitality added 2,500 jobs, and manufacturing added approximately 2,700 jobs. Leisure and hospitality has been aided by a strengthening national economy and an easing of travel fears related to the September 11, 2001 tragedy. Manufacturing has been helped by a falling dollar against foreign currencies, making our manufactured goods more affordable on the world market.

Outlook – Utah’s economy is expected to continue to improve in the near term. The State’s industrial structure continues to be well balanced and diversified, with a broad base of businesses and a solid technology and transportation infrastructure. Combined with continued population growth and a young and highly educated workforce, the State is positioned well for positive long-term economic growth. www.governor.utah.gov/gopb

Major Initiatives

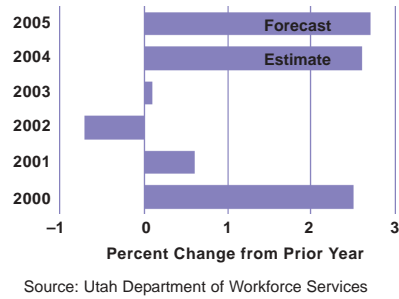
Public Education – With an expected influx of approximately 145,000 new students over the next ten years, the Governor and Legislature have instituted programs designed to make the State’s education system more efficient with the limited resources available. *Performance Plus* is a \$200 million multi-year program that will be implemented in phases. The first phase will assist children in reading at or above grade level by the end of the third grade. Funding for this program includes \$15 million in state money and \$15 million in local money for fiscal year 2005.

Public Safety – Utah is not immune from the risk of a variety of natural disasters or from the risk of terror attacks and other acts of violence. Utah is increasing its state of preparedness in a variety of ways. The *Utah Wireless Integrated Network (UWIN)* is a wireless intergovernmental network that will provide seamless, coordinated, and integrated communication for local, state, and federal agencies. On July 6, 2004, the Governor announced the completion of phase I, which enables dissimilar radio systems to communicate with each other. Phase II of the project will focus on data interoperability and is scheduled for completion in early 2005.

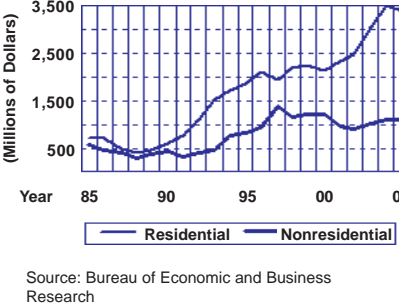
Natural Resources – Due to six consecutive years of below average rainfall, Utah’s reservoir levels statewide are well below normal, and 21 of the State’s 29 counties are experiencing extreme drought conditions. The negative impact to Utah’s agricultural economy is projected at \$133 million in 2004 alone. The Governor’s water conservation team, consisting of members of both state and local governments, oversees various water programs including the *Slow the Flow* campaign that seeks to reduce water consumption 25% by 2050. Since inception, the campaign has helped to reduce water consumption by 15%, despite population growth and drought conditions.

E-Government – Well over 100 services, with live 24/7 customer support, are available on the State’s Web site www.utah.gov. Utah continues to routinely add more online services and was recently named one of the top-10 digitally advanced state governments in the nation by the Center for Digital Government. Online services recently added include www.utahcares.utah.gov (assistance for families and individuals), www.careers.utah.gov (school-to-retirement career exploration), and www.jobs.utah.gov (State’s online recruitment system).

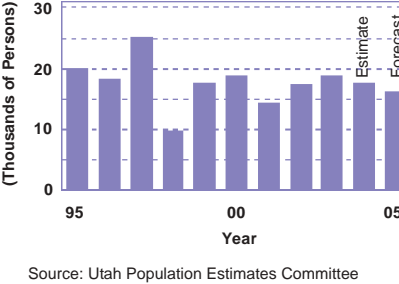
Job Growth Rates



Construction Values



Net In-Migration



Economic Indicators

Annual Percent Change / Unemployment Rate			
	2003 Actual	2004 Estimate	2005 Forecast
Population	2.3%	2.3%	2.2%
Jobs	0.1%	2.6%	2.7%
Personal Income	2.8%	4.9%	5.9%
Retail Sales	2.5%	7.0%	4.5%
Unemployment Rate	5.6%	5.3%	5.1%

Source: Governor’s Council of Economic Advisors

The *Fiscal Focus* presents selected general government financial information that has been simplified from the traditional format reported in the State’s Comprehensive Annual Financial Report (CAFR). The financial information is consistent with generally accepted accounting principles; however, it does not contain information for all funds, activities, or component units as reported in the CAFR. Readers may obtain a copy of the CAFR by contacting the Department of Administrative Services, Division of Finance or by accessing: www.finance.utah.gov/reports/cafr.htm

Managing Utah’s Money

Utah has a long history of conservative fiscal policies and spending within its means. The Legislature and the Governor work together to plan and control government spending. In addition, the State Constitution requires a balanced budget each year, meaning the State can spend only available funds. When actual revenues are less than expected, government spending is reduced to ensure a balanced budget.

Revenue Highlights For Fiscal Years Ended June 30 (Budgetary Basis In Millions)					
	2004 Final Budgets			Actual Revenues	
	General Fund	Uniform School Fund	Total	2004	2003
General Revenues					
Sales Tax	\$1,469.0	\$ —	\$1,469.0	\$1,501.9	\$1,444.0
Individual Income Tax	—	1,643.0	1,643.0	1,699.6	1,575.5
Corporate Tax	—	169.0	169.0	162.9	160.5
Licenses, Permits, and Fees	18.1	—	18.1	18.1	17.8
Investment Income	7.8	8.6	16.4	15.1	14.8
Federal Appropriation—Jobs and Growth Relief	38.0	—	38.0	38.0	38.0
Miscellaneous Taxes	163.1	—	163.1	172.0	173.2
Miscellaneous Other	21.7	7.5	29.2	31.0	26.9
Total General Revenues	1,717.7	1,828.1	3,545.8	3,638.6	3,450.7
Department Specific Revenues					
Restricted Taxes	2.6	16.8	19.4	19.4	18.6
Federal Contracts and Grants	1,698.0	311.3	2,009.3	2,009.4	1,767.4
Departmental Collections	217.7	2.6	220.3	225.5	200.3
Higher Education Collections	284.9	—	284.9	284.9	260.5
Federal Mineral Lease	60.2	—	60.2	67.2	46.3
Investment Income	2.4	—	2.4	2.5	2.6
Miscellaneous	402.4	12.2	414.6	417.7	397.9
Total Department Specific Revenues	2,668.2	342.9	3,011.1	3,026.6	2,693.6
Total Revenues	\$4,385.9	\$2,171.0	\$6,556.9	\$6,665.2	\$6,144.3

The graph at right shows the combined tax revenues for the General Fund and the Uniform School Fund over the last five years. The combined tax revenues have increased by \$106 million or 3.1% over that period. The State’s economic slowdown in 2002 and 2003 and subsequent economic improvement in fiscal year 2004 are similar to the trend of the national economy.

Utah receives various tax revenues that are used to support many state programs. Individual income and corporate taxes are restricted by the State Constitution to be used only to support education. Sales and use taxes, and miscellaneous taxes, such as beer, tobacco, insurance premium, and inheritance taxes, are used to fund the general operating programs of the State.

The original fiscal year 2004 budget was adopted by the Legislature during the 2003 General Session (held from January to March 2003). During the 2004 General Session (held from January to March 2004), the original budget was revised to reflect the latest revenue estimates, and a final budget was adopted. The table at left compares the final revenue budget to 2004 actual results for the General Fund and Uniform School Fund. The 2004 actual revenue results are also compared to the actual results from the prior year.

- Due to an improving economy, actual sales tax revenues for 2004 were \$32.9 million higher than budgeted and \$57.9 million or 4.0% higher than the prior year.
- Actual 2004 individual income tax revenues, earmarked for public education, were \$56.6 million higher than budgeted and \$124.1 million or 7.9% higher than the prior year.
- Total general revenues were \$92.8 million or 2.6% higher than final budgeted amounts. Actual general revenues for 2004 were \$187.9 million or 5.4% higher than 2003.
- Federal funding was the largest single factor in increasing revenues for the fiscal year, as federal mineral lease revenues increased \$20.9 million or 45.1%, driven by higher oil prices; and federal contracts and grants climbed \$242 million or 13.7% from the prior year, driven by demand for services and higher costs.

The State ended the year, after transfers to the Rainy Day funds and other designations required by law, with a General Fund surplus and Uniform School Fund surplus of \$16.4 million and \$38.0 million, respectively.

Tax revenues are expected to continue to increase in fiscal year 2005; however, the State will not receive the \$38 million per year in temporary federal fiscal relief it had received the prior two fiscal years.

Tax Revenues – General Fund and Uniform School Fund



Budget Reserve Accounts (Rainy Day Funds)

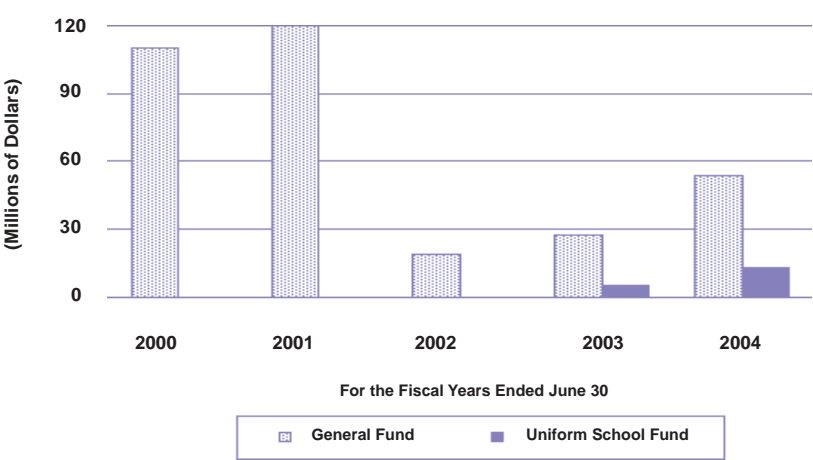
The State created the General Fund Budget Reserve Account in 1986 to serve as a “savings” account for future revenue shortfalls or other emergencies. In 2003, the State created the Education Budget Reserve Account within the Uniform School Fund as a way to cover revenue shortfalls that may occur with education funding.

By law, 25% of any General Fund or Uniform School Fund surplus must be transferred to its respective budget reserve account at the end of each year. An additional 25% of that surplus must be transferred to each respective budget reserve account to pay back any withdrawals that have been made from each account in the last ten years.

In fiscal year 2002, the State used \$105.3 million from the General Fund Budget Reserve Account to cover revenue shortfalls. For fiscal year 2004, \$22.4 million of the General Fund surplus was transferred to the General Fund Budget Reserve Account, half of which was to help repay the \$105.3 million. In addition, the Legislature made a one-time appropriation of \$4.3 million to help repay the borrowed amount. To date \$19.3 million of the \$105.3 million has been repaid. The General Fund Budget Reserve Account ended the year with a balance of \$53.6 million.

In fiscal year 2004, \$12.7 million was transferred from the Uniform School Fund surplus to the Education Budget Reserve Account for an ending balance of \$13.3 million.

Budget Reserve Accounts (Rainy Day Funds)

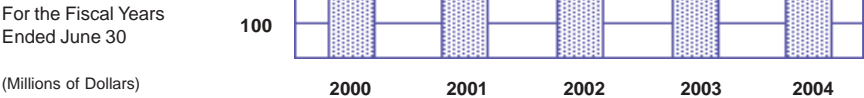


Permanent State School Fund

The School and Institutional Trust Lands Administration (SITLA) manages lands granted to Utah by the U.S. Government for the support of public schools and other trust beneficiaries. SITLA generates revenues by putting the 3.4 million acres into production through mineral rentals and royalties, surface leasing, and land sales. Net revenues from lands held for public schools are transferred to the Permanent State School Fund. By law, revenue from interest and dividends are distributed to the Uniform School Fund and allocated to local school districts. In fiscal year 2004, \$9.6 million was distributed to the Uniform School Fund.

At June 30, 2004, the balance in the Permanent State School Fund was \$458.9 million, an increase of \$84.5 million or 22.6% higher than 2003. Approximately \$39.6 million of the increase was a change in the market value of the investments. Changes in the fund balance from year-to-year are a reflection of revenues earned by SITLA and market changes in investments.

Permanent State School Fund – Fund Balance



The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award of Outstanding Achievement in Popular Annual Reporting to the State of Utah for its popular annual report, *Fiscal Focus*, for the fiscal year ended June 30, 2003. The Award is a prestigious national award recognizing conformance with the highest standards for preparation of state government popular reports.

In order to receive an Award, a government must publish a popular annual financial report whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.




An Award is valid for a period of one year only. We believe our current *Fiscal Focus* continues to conform to the popular annual financial reporting requirements and we are submitting it to GFOA.

Award for Outstanding Achievement in Popular Annual Financial Reporting

PRESENTED TO

STATE OF UTAH

For the fiscal year ending June 30, 2003



FISCAL FOCUS

Olene S. Walker, Governor
S. Camille Anthony, Executive Director,
Department of Administrative Services
Edward T. Alter, CPA, State Treasurer

Kim S. Oliver, CPA, Director,
Division of Finance
Richard K. Ellis, Director,
Governor’s Office of Planning and Budget

Published by the State of Utah, Department of Administrative Services. To obtain copies of the Fiscal Focus, call (801) 538-3082 or access:
www.finance.utah.gov/reports/fiscalfocus.htm

Public and Higher Education

The State administers funding for public education through the Office of Education. The Utah System of Higher Education is governed by the State Board of Regents and local boards of trustees.

Public Education

Utah’s educational results are outstanding and the envy of many in the United States, especially as compared to the dollar spent per child for public education.

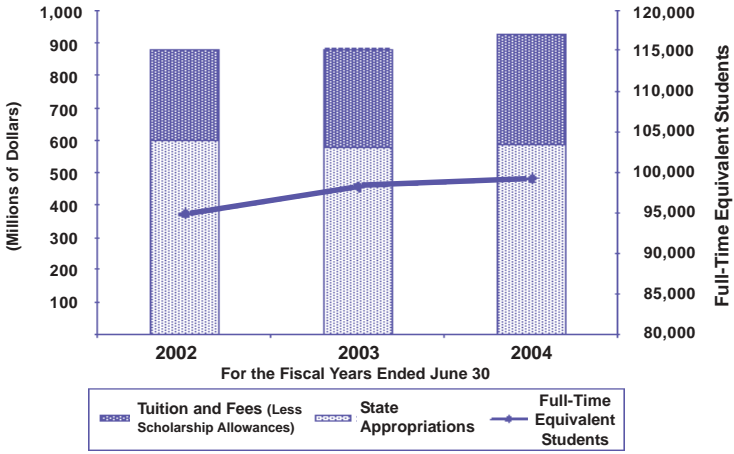
- According to the National Assessment of Education Progress (NAEP-The Nation’s Report Card), Utah’s fourth and eighth grade students outperformed national scores in mathematics and reading in fiscal year 2003. Over 330,000 students throughout the nation participated in this assessment.
- As of the fall of 2004, there were 495,682 students enrolled in the State’s 892 public schools, a 1.8% increase in students over the prior year. These students represent approximately 20.1% of Utah’s population.
- In fiscal year 2004, Uniform School Fund expenditures for public education were \$2 billion or 30% of the State’s total expenditures.
- Per-pupil spending from state, federal, and local sources was just over \$4,764, an increase of 1.5% compared to the prior year.
- From 2003 to 2004, the number of charter schools increased from 19 to 28 and enrollment increased from 3,252 to 6,237 or 91.7% over the same period. Charter schools are like public schools in that they operate on public funds without tuition. However, their goal is to provide additional education options with quality outcomes for students. www.usoe.k12.ut.us

Higher Education

The Utah System of Higher Education consists of ten public colleges — Two doctoral/research universities, two regional/masters universities, two baccalaureate/associate colleges, three comprehensive community/associate colleges, and one applied technology college (UCAT) that has nine branch campuses throughout the State.

- Fall enrollment for the 2003-2004 fiscal year in the nine institutions (excluding UCAT) totaled 99,242 full-time equivalent (FTE) students, with a total headcount of 140,933. UCAT had a headcount enrollment of 54,334.
- During fiscal year 2004, the nine institutions (excluding UCAT) awarded 24,810 degrees and certificates; 280 doctorate degrees, 2,595 masters degrees, 12,008 baccalaureate degrees, 8,222 associate degrees, 260 professional degrees, and 1,445 certificates.
- Effective for the 2003-2004 school year, the Board of Regents increased resident undergraduate tuition at the nine institutions by a base amount of 4.5% and approved additional increases averaging 6.6%, for a total average increase of 11.1%. UCAT tuition increased 5% per membership hour for full-time students. www.utahsbr.edu

Higher Education Funding and Enrollment (Excludes UCAT)



Health, Workforce Services, and Human Services

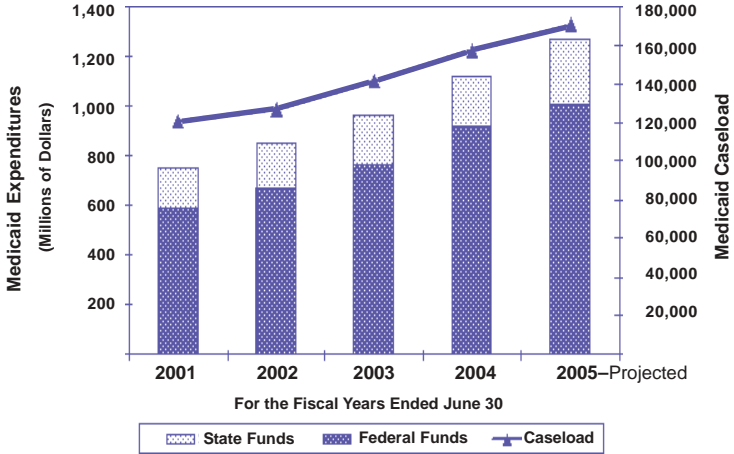
Health – The Utah Department of Health (DOH) is the central contact for all public health issues in Utah. DOH administers the State’s Medicaid program and other health insurance programs for children and adults who otherwise could not afford health care or whose employers do not offer health care coverage. DOH administers many other health programs, including programs in bioterrorism preparedness, immunization, and food nutrition. The Department inspects, licenses, and investigates citizen complaints regarding hospitals, nursing homes, and childcare centers. DOH also issues birth and death certificates.

In fiscal year 2004, DOH expenditures represented the largest share of state general operating expenditures at \$1.532 billion or 35.4%. Medicaid expenditures totaled \$1.275 billion, or 83.2% of the total budget for DOH. The majority of Medicaid expenditures, or 71.8%, was funded with federal dollars.

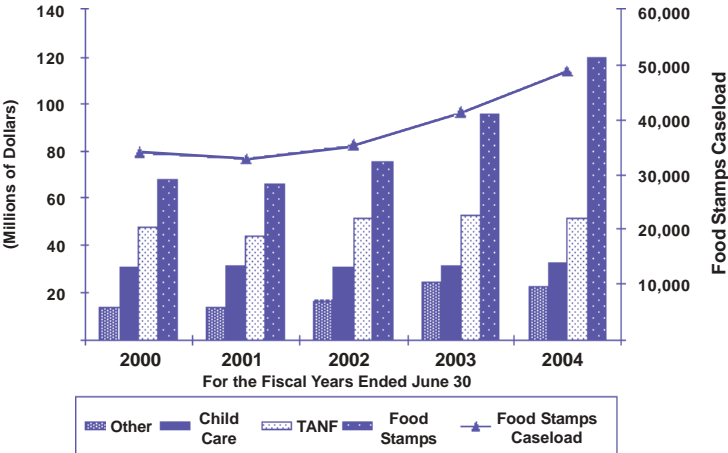
The 2004 Legislature reduced state funding to DOH by \$37.3 million without reducing Medicaid benefits or eligibility, largely due to the receipt of additional temporary federal money from the Federal Jobs and Growth Tax Relief Act of 2003.

For fiscal year 2005, the Legislature increased funding to DOH by \$18.6 million for anticipated Medicaid caseload growth and increased program utilization, and provided another \$6.8 million for inflationary increases in pharmacy, hospital, and other Medicaid provider rates. www.health.utah.gov

Medicaid



Workforce Services Financial Assistance Programs



Workforce Services

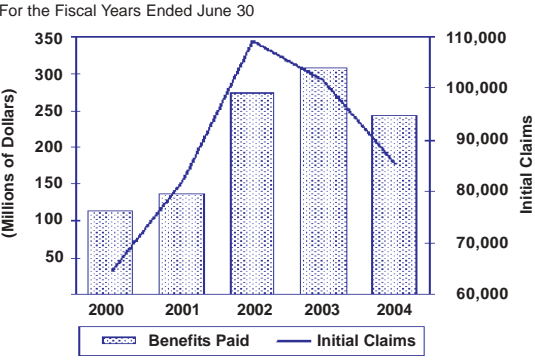
The Utah Department of Workforce Services (DWS) provides quality, accessible, and comprehensive employment-related support services to Utah’s families. DWS coordinates and responds to the needs of employers, job seekers, and the community. Programs administered by DWS include Food Stamps, Unemployment Insurance Benefits, Child Care, Temporary Assistance to Needy Families (TANF), and Refugee Assistance.

In fiscal year 2004, DWS spent \$394 million, of which \$334 million or 85% was federally funded. In addition, \$243 million in benefits were paid to unemployed workers from the Unemployment Compensation Fund. The graph (below left) shows a recent decline in unemployment benefits, reflecting both an improved economy and the expiration of some individuals’ eligibility for continued benefits.

Since May of 2001, DWS has seen a 63% increase in the number of households relying on food stamps, with a corresponding 80% increase in benefits issued. Although food stamp benefits are 100% federally funded, the costs of administering the program require a 50% state match.

DWS created www.jobs.utah.gov, a Web site that provides 24/7 access to employment services. Employers can transmit hiring, wage, and tax information electronically and can post job openings and search for job candidates. Job seekers can also post resumes and search for jobs. In fiscal year 2004, 256,934 job seekers received one or more services from DWS. In addition, 11,366 employers used DWS to search for employees. www.jobs.utah.gov

Unemployment Compensation/Claims



Human Services

The Utah Department of Human Services offers programs for the elderly, substance abusers, people with disabilities, children at risk of abuse or neglect, young offenders, the mentally ill, people who need assistance obtaining child support, and others. In fiscal year 2004, \$551 million was spent on providing services to assist individuals and families. Some highlights of services provided by DHS include the following:

- Investigated 20,999 cases of child abuse, neglect, or dependency. Of these, 8,315 were substantiated, affecting 12,598 children. DHS also assisted with 414 adoptions.
- Provided residential, day, and support services for 4,470 people with mental retardation, developmental disabilities, and brain trauma.
- Recovered \$175.4 million in child support obligations and other funds owed for assistance programs. This was an increase in collections of \$4.3 million or 2.5% from the prior year.
- Investigated 2,340 referrals for potential abuse, neglect, or exploitation of vulnerable adults or the elderly.
- Served 903,500 meals at senior centers, delivered 1,086,200 in-home meals, and provided 114,000 hours of in-home service. www.dhs.utah.gov

Transportation

Utah Department of Transportation (UDOT) operations are funded with motor and special fuel taxes, fees for licenses and permits, federal contracts and grants, charges for services, bond proceeds, and other miscellaneous revenue. With limited funding and increasing pressure to provide relief from traffic congestion, UDOT has placed an emphasis on making the existing transportation system work better.

Fiscal Year 2004 Highlights

- Total funding for transportation-related operations during the fiscal year was \$853.7 million, which included \$59.6 million from the General Fund. In addition, UDOT had available \$161.3 million in bond proceeds carried over from 2003 to be used for specific highway projects.
- Approximately \$945.3 million (including \$102.9 million for debt service) was spent during the fiscal year for transportation projects and related services.
- UDOT maintains \$7.3 billion or 99.6% of the State’s reported infrastructure assets. Infrastructure assets include 5,733 centerline miles of state roads, 1,795 bridges, and drainage systems, lighting systems, and similar items.
- UDOT’s intelligent transportation system, CommuterLink, saves Utah motorists \$179 million and 9.8 million hours every year due to fewer delays, increased safety, and more fuel efficiency. Research shows the system is responsible for preventing 948 traffic accidents and three traffic accident-related deaths each year.

Major Projects

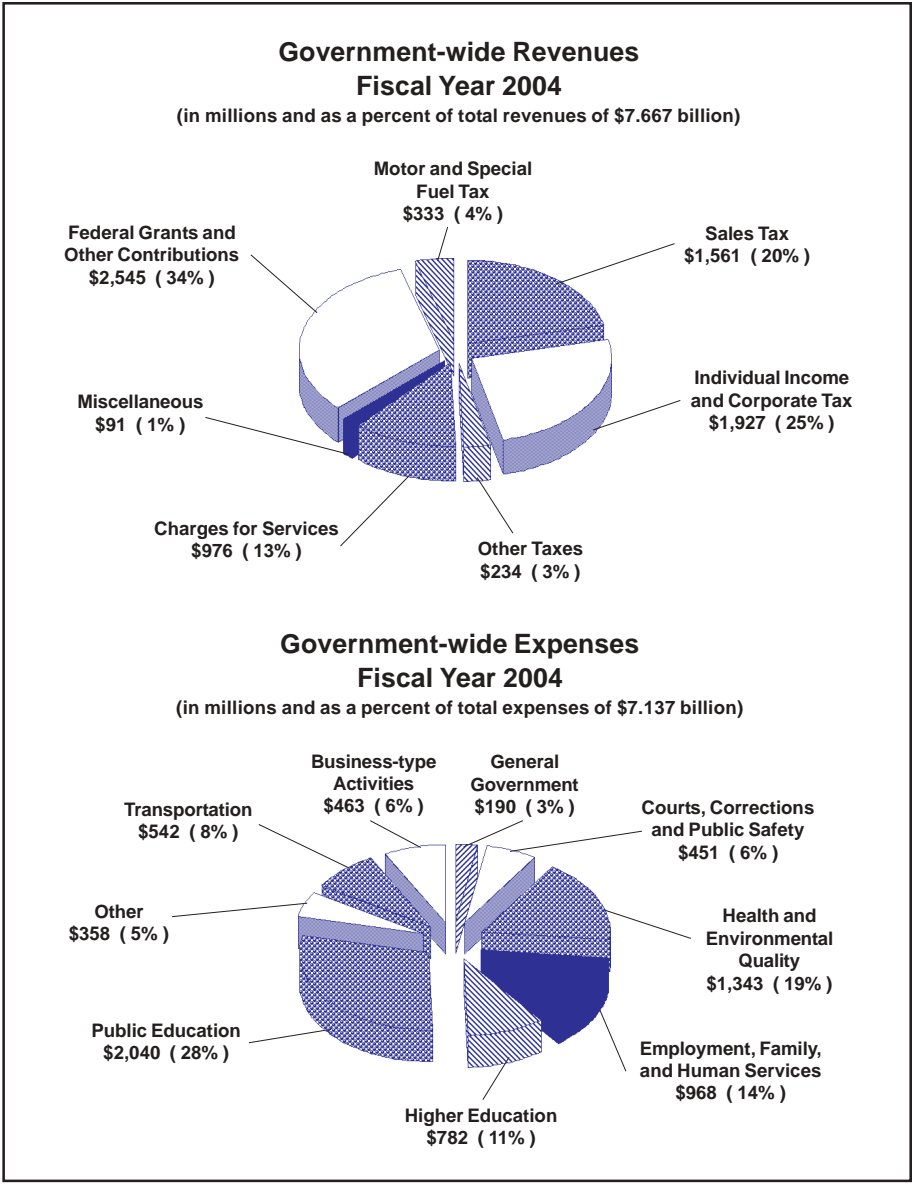
- **I-15 South** (\$36.7 million) – The I-15 South project extended the carpool lane from 10600 South, in Salt Lake County, to Utah County in both directions and added an additional travel lane. The Alpine interchange park and ride lot was expanded, and a

Condition of State Roads Based on Latest Assessments			Condition of State Bridges Based on Latest Assessments		
Rating	2003	2002	Rating	2004	2003
Fair or Better	75%	73%	Good	70%	70%
Very Poor	6%	7%	Poor	3%	3%
Goal: To maintain at least 50% in “fair” or better condition and no more than 15% in “very poor” condition.			Goal: To maintain at least 50% in “good” condition and no more than 15% in “poor” condition.		

new lot was built at the 14600 South interchange. Upgrades to electronic roadway signs and CommuterLink cameras were also made.

- **12300 South** (\$124.5 million) – Improvements in Salt Lake County include widening the roadway from two to four lanes in each direction, reconstructing the interchange at I-15, a new pedestrian overpass and new bridges at the railroad crossing and the Jordan River.
- **Highway 191** (\$16.4 million) – Highway 191 in Grand County was widened in an eight-mile segment from two lanes to a grade-separated four lanes. Two miles of pedestrian/bike trail were added. Intersection improvements were made at the entrance to Arches National Park, Gemini Bridges, and Potash Road.
- **Provo Canyon** (\$71.5 million) – The 4.5 mile Provo Canyon widening project on U.S. Highway 189 began construction this fall. The project runs from the Wasatch County line to a half-mile east of Deer Creek Dam. As part of the project, the road will be moved off the top of the dam and placed on a newly-constructed bridge over the spillway. www.udot.utah.gov

Government-wide Financial Highlights



Each year the Division of Finance in the Department of Administrative Services publishes the State’s Comprehensive Annual Financial Report (CAFR). The report complies with generally accepted accounting principles and is audited by the State Auditor’s Office.

The State’s CAFR presents financial information on both a fund and government-wide basis. The fund basis reports revenues and expenses using individual funds that present a short-term perspective of the State’s financial condition using the *modified accrual basis* of accounting. The government-wide statements provide a long-term perspective of the State’s finances as a whole and are prepared using the *full accrual basis* of accounting. The *full accrual basis* of accounting is used by private-sector businesses and recognizes revenue when earned and expenses when incurred, regardless of when cash is received or disbursed. Some government-wide highlights from the June 30, 2004 report include:

- Overall net assets increased \$530.7 million or 5.1% from the prior year. This increase in net assets resulted from an improving economy and the active management of state resources. More than half of the increase was in net capital assets.
 - The State had government-wide assets of \$15.5 billion and liabilities of \$4.5 billion, resulting in net assets of \$11.0 billion. Of total net assets, \$8.0 billion was reported as invested in capital assets (primarily highways) net of all outstanding debt that was issued to buy or build those assets. The remaining \$3.0 billion of net assets is available to fund the State’s operations, though specific constitutional, legal, and contractual restrictions limit the uses of certain net assets to specific programs.
 - The State received 52.9% of its revenues from state taxes and 33.2% of its revenues from grants and contributions, mostly from federal sources. In comparison, state taxes accounted for 54.1%, and grants and contributions were 32.7% in the prior year. Charges for goods and services such as licenses, permits, liquor sales, state parks, and court fees combined with other miscellaneous collections, comprised 13.9% of total revenues compared with 13.2% in the prior year.
 - Revenues increased from the prior year by \$665.7 million, or 9.5%. Combined tax revenues increased \$268.7 million, or 7.1%, and federal grants and other contributions increased \$256.5 million, or 11.2%, from the prior year.
 - Expenses increased by \$427 million, or 6.4%, over the prior year. Most of the increase occurred in health and environmental quality, and higher education, which increased \$166 million and \$133.9 million, respectively. Almost \$119 million of the increase in higher education expenditures was for construction of college and university buildings.
- The charts at left present government-wide revenues and expenses for the fiscal year ended June 30, 2004 using the full accrual basis of accounting.

Utah’s Debt Management Plan

Utah uses a combination of tax revenues and borrowing to pay for the construction, repair, or renovation of higher education facilities, government buildings, parks, highways, and water projects. The State issues general obligation (GO) bonds, and lease and other revenue bonds. The State’s GO bonds are backed by the full faith and credit of the State and are repaid from general tax revenues. Revenue bonds are typically issued to finance specific projects or student loans and are repaid with revenues generated from the projects or loans and are not general obligations of the State.

The amount of GO debt is limited by the State Constitution and by state law. The State was \$1.059 billion below the constitutional debt limit and \$227 million below the statutory debt limit at June 30, 2004.

During fiscal year 2004, the State issued \$314.8 million of GO bonds to refund existing debt and take advantage of lower interest rates. The State also issued \$152.8 million in revenue bonds to provide \$130.1 million in capital for purchasing student loans in the Student Assistance Programs and \$22.7 million for capital facility construction. Total outstanding bonded debt at June 30, 2004, was \$3.350 billion, a net decrease of \$35.1 million or 1.0% from the prior year.

The State’s active management of recent economic difficulties has helped the State maintain its triple-A rating on GO bonds from all three national rating agencies, and double-A rating on lease revenue bonds from two national rating agencies from which ratings were sought. The ratings are the best available and save millions of dollars in interest each year.

In 1996, Utah voters approved a plan, effective January 1, 1997, where the State guarantees payment of principal and interest on bonds issued by qualifying local school boards. This measure reduces interest costs for local school districts to build schools. Since the inception of the program, the State has guaranteed approximately \$2.15 billion of local school board bonds, and at June 30, 2004, the principal amount of guaranteed school bonds outstanding was \$1.48 billion.

